

Final - MOU



Memorandum of Understanding (Operating Agreement)

THIS MEMORANDUM OF UNDERSTANDING ("MOU"), is formed and shall become effective on the date executed hereinafter, to detail the relationships between **BATES Energy Oil & Gas, LLC**, a Texas limited liability company (hereinafter referred to as "**BATES Energy**") whose principal office is located at 3201 Cherry Ridge, Bldg. B Suite: 210B, San Antonio, TX. 78230 and **Complete Oil Field Services, LLC**, a Utah limited liability company, a wholly owned subsidiary of Sam Taylor, a UTAH corporation (hereinafter referred to as "**COFS**") whose principal office is 8731 S. Sandy Pkwy Ste: 103, Sandy UTAH 84070.

Recitals

WHEREAS, BATES ENERGY operates a business for the purpose of procurement, marketing, distribution, and logistics of Silica Proppant for the Hydraulic Fracturing process;

WHEREAS, COFS operates a business for the receiving of Silica Proppant for the Hydraulic Fracturing process; and,

WHEREAS, BATES Energy and COFS desire to engage in a relationship to provide and accept Silica Proppants respective of their individual interests; and,

WHEREAS, the purpose of this MOU is to set forth certain binding understandings with respect to the matters covered herein and serve as an agreement until any final details may be defined in a final agreement.

NOW, THEREFORE, in reliance upon the foregoing facts, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and for the mutual promises contained herein, the parties agree as follows:

1. **BATES Energy obligations: \$99.00 per FOB WTX w/ Trans-Loading included:**
 - a. Shall procure FRAC sand in grades to include API compliant approximately **50,000 tons of 40/70** and **30,000 tons of 100 mesh Proppant**.
 - b. Initial quantity of approximately 10,000 plus Tons of each grade delivered to the rail terminal located at Seagraves, Pecos, Big Springs, San Angelo, Odessa, Midland, or Monahans, Texas ("**WTX**") no later than May 10th, 2017, and increase such quantity up to 80,000 tons of each grade within 90 days of the date of execution of this MOU.
 - c. Shall contract for rail logistics for delivery to WTX via existing train trackage to rail the Proppant.
 - d. Demurrage allowance of 1.5 days of storage for every 1,000 tons from the date of arrival in the

- rail cars to WTX. All material held over the initial 1.5 days shall incur a daily storage fee equal to \$3.00 per ton per DAY.
- e. Shall provide COFS with customary reporting of Gradation and Turbidity, demonstrating compliance to API standards know as a Stim-Lab and/or Prop-Test.
 - f. Shall provide trans loading and storage of up to **15 days per 10,000 Tons** in WTX.
 - g. Shall Have a 90 Locked pricing on all pricing with a 1st Right of refusal for 180 days.
 - h. **AFTER The Initial deposit of \$4M in Escrow has been Exhausted on Orders, BATES Energy will PROVIDE TERMS: Net 30 Days from the time of Bill Of Ladings "BOL's" are issued to COFS at the Departure Point "Mine"...**

2. COFS obligations:

- a. Accept delivery of the materials of each grade and quantity as set forth herein.
- b. Shall provide the in a timely manner for material from "WTX" facilities as defined.
- c. Provide for timely payment of the material in the form and under the terms hereinafter defined.
- d. COFS shall be solely responsible for all demurrage to Union Pacific Rail Company ("UP") for non-complying with agreed above Storage policy within 30 days.

3. Payments and Terms:

- a. COFS shall make an initial deposit \$4,000,000.00 USD into an escrow account with **Equity Liaison Company, LLC, Austin, TX**. With such an amount of funding the payment for initial orders as agreed. Disbursements from this account shall be made athurized upon the conditions as described in items (b.) below. Any monies placed into the escrow account must have BATES Energy's written approval prior to withdrawal, to ensure that no material invoice is tied to such funds.
- b. BATES Energy shall receive by wire transfer from the escrow company 50% of the invoice total upon delivery of the Bill of Lading ("BOL"). If this wire transfer comes from an account other than the escrow account, then a credit voucher will be issued from BATES Energy authorizing either a) for the amount of the credit to be withdrawn from the escrow account, or b) for the amount of the credit to be applied to secure more material to be loaded out.
- c. BATES Energy shall receive via wire transfer the outstanding balance within three (3) business days or less after the material is loaded into the COFS or designated trucking company, and the BOL of the load-out are issued with the final invoice. The parties understand and agree the prepayments described herein shall be deducted from the total amount due and COFS shall only be required to remit payment for the balance for all Proppant delivered pursuant to BOL from loaded rail cars. These final balances will reflect the total owed from the balance of the BOL, showing a credit of the amount already held in escrow.
- d. **TERMS and LATE FEE's: "COFS" will comply with the Strict Payment terms issued in (1.h.) and will be responsible for a \$2.00 per ton, per day LATE FEE on Any & All unpaid Invoices within the agreed NET 30 day pay terms!**
- e. Neither party is liable for failure to perform, except with respect to payment obligations, solely caused by:
 - unavoidable casualty,
 - delays in delivery of materials,

- embargoes,
- government orders,
- acts of civil or military authorities,
- acts by common carriers, emergency conditions (including weather conditions) incompatible with safety or good quality workmanship, or any similar unforeseen event that renders performance commercially implausible.

If an event of force majeure occurs, the party injured by the other's inability to perform may elect one of the following remedies: (a) to terminate this agreement in whole or in part; or (b) to suspend the Agreement, in whole or in part, for the duration of the force majeure circumstances. The party experiencing the force majeure circumstances shall cooperate with and assist the injured party in all reasonable ways to minimize the impact of force majeure on the injured party, which may include locating and arranging substitute services if necessary

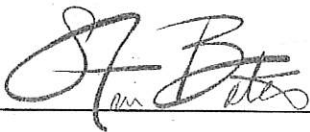
This agreement and any dispute arising hereunder shall be subject to the laws of the State of Texas and exclusive jurisdiction shall be in San Antonio, Bexar County, Texas.

By signing this MOU you agree to be bound by all of the terms and conditions described herein subject to the mutually agreed and executed Purchase Agreement ("Agreement") to be executed between the parties.

For BATES Energy Oil & Gas, LLC

For: COFS-Complete Oil Field Services

By: _____



Printed Name: STAN P. BATES

Chief Executive Office

Date: April 18, 2017

SAM TAYLOR:

By: _____

Printed Name: _____

Authorized Officers Signature:

Date: _____

Complete Oil Field Service, LLC.

PURCHASE ORDER

P.O.# 1001
DATE: APRIL 24, 2017

VENDOR Complete OFS
8731 S. Sandy Pkwy
Ste: 103
Sandy, Utah 84070
POC: Sam Taylor
701.570.5891

SUPPLIER: BATES Energy Oil & Gas
3201 Cherry Ridge
Bldg.B Ste:210B
San Antonio, TX.78230
Customer ID: BATES

SHIPPING METHOD	SHIPPING TERMS	DELIVERY DATE
Pneumatic Railcars	Escrow - Prepaid	05-12-2017

QTY	ITEM #	DESCRIPTION	JOB	UNIT PRICE	LINE TOTAL
7,000 Tons	1	40/70 Northern White	1	\$99.00	\$693,000.00
3,100 Tons	1	100 Northern Mesh	1	\$99.00	\$306,900.00
		Funds are held in escrow with Equity Liaison Company, LLC and Amegy Bank pursuant to the MOU and Escrow Agreement. Such funds shall be transferred to Bates Energy as follows			
		50% of cost paid upon verification of product in railcars and such cars having left the origin for destination in Texas as agreed and as verified by UP bill of lading and upon receipt of invoice from Bates Energy.			
		Remaining cost to be invoiced by separate BOL offloading the railcars into the last mile delivery truck. The BOL's shall be invoiced every 3 days, COFS shall have 2 days to approve then payment shall be funded to Supplier.			
		There is a Professional Standing Non-Circumvent in place with BATES Energy's supplier Funding sources.			

SUBTOTAL \$999,900.00

SALES TAX Exempt
Resale

TOTAL \$999,900.00

1. Please send your invoice to ACCEPT this Irrevocable P/O.
2. This order in accordance with the prices, terms, delivery method, and specifications listed above.
3. Please notify us immediately if you are unable to ship as specified.
4. Send all correspondence to:
Sam Taylor and Janis Kline, Managers
8731 S. Sandy Pkwy. Ste 103, Sandy, Utah 84070

Authorized by

Date